

**MIRACOSTA
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

043938

MIRACOSTA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
MiraCosta Community College District
Oceanside California

We have audited the accompanying basic financial statements of the business-type activities of the MiraCosta Community College District (the District) as of and for the year ended June 30, 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the MiraCosta Community College District as of June 30, 2008, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VaurineK, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 19, 2008



MIRACOSTA COMMUNITY COLLEGE DISTRICT
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INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the MiraCosta Community College District (the District) for the year ended June 30, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and 35 beginning with fiscal year 2002-2003, using the Business-Type Activity (BTA) model. The California Community College System's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the new reporting standards under the BTA model. To comply with the recommendation of the System's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements.

MiraCosta Community College District is a public two-year community college. The main MiraCosta campus is located in Oceanside, California. The College also operates a San Elijo center located in Cardiff-by-the-Sea, California as well as a Community Learning Center located in Oceanside, California. MiraCosta students may choose from several associate degree and certificate programs or complete courses toward the first two years of a bachelor's degree program.

FINANCIAL HIGHLIGHTS

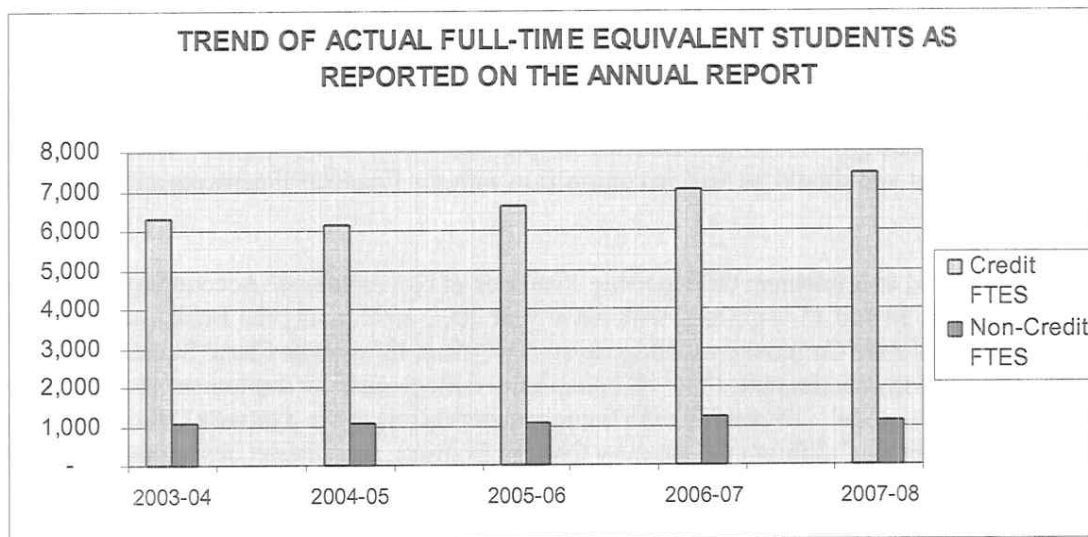
As required by the GASB Statements No. 34 and 35 reporting model, this report consists of three basic financial statements that provide information on the District's governmental activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Change in Net Assets; and the Statement of Cash Flows.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Full-Time Equivalent Student Growth

- During 2007-2008, total full-time equivalent students (FTES) increased approximately six percent for credit and non-credit courses.



Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities).

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Assets are divided into three major categories. The first category, invested in capital assets, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

A Statement of Net Assets as of June 30, 2008 and 2007, is summarized below:

(Amounts in thousands)

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 43,052	\$ 36,838
Accounts receivable	2,138	4,307
Prepaid expenses	112	78
Total Current Assets	45,302	41,223
Capital Assets (net)	87,102	78,677
Total Assets	<u>\$ 132,404</u>	<u>\$ 119,900</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 3,181	\$ 6,460
Deferred revenue	1,867	1,633
Amounts held in custody on behalf of others	7,138	-
Current portion of long-term debt	839	2,423
Total Current Liabilities	13,025	10,516
Long-Term Obligation	7,133	6,059
Total Liabilities	<u>20,158</u>	<u>16,575</u>
NET ASSETS		
Invested in capital assets	80,325	74,172
Restricted	14,789	13,720
Unrestricted	17,132	15,433
Total Net Assets	<u>112,246</u>	<u>103,325</u>
Total Liabilities and Net Assets	<u>\$ 132,404</u>	<u>\$ 119,900</u>

- Cash and investments increased \$6.2 million or 17 percent over 2007. Cash and investments include cash deposited in the San Diego County Treasury along with investments with fiscal agents related to a lease revenue bond. Additional deposits of funds are held with various financial institutions. The increase in cash and investments for the 2007-2008 fiscal year reflects increased receipts in property tax revenue, and the accumulation of funds to be transferred to an irrevocable trust for Other Postemployment Benefits.
- The accounts receivable balance includes receivables for categorical programs, 4th quarter lottery proceeds, 4th quarter interest and capital outlay claims for the Creative Arts Expansion. Accounts receivable decreased \$2.2 million or 50 percent from 2007 and reflects fewer capital outlay claims due, in part, to the completion of the Horticulture Complex and Creative Arts Replacement Building.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

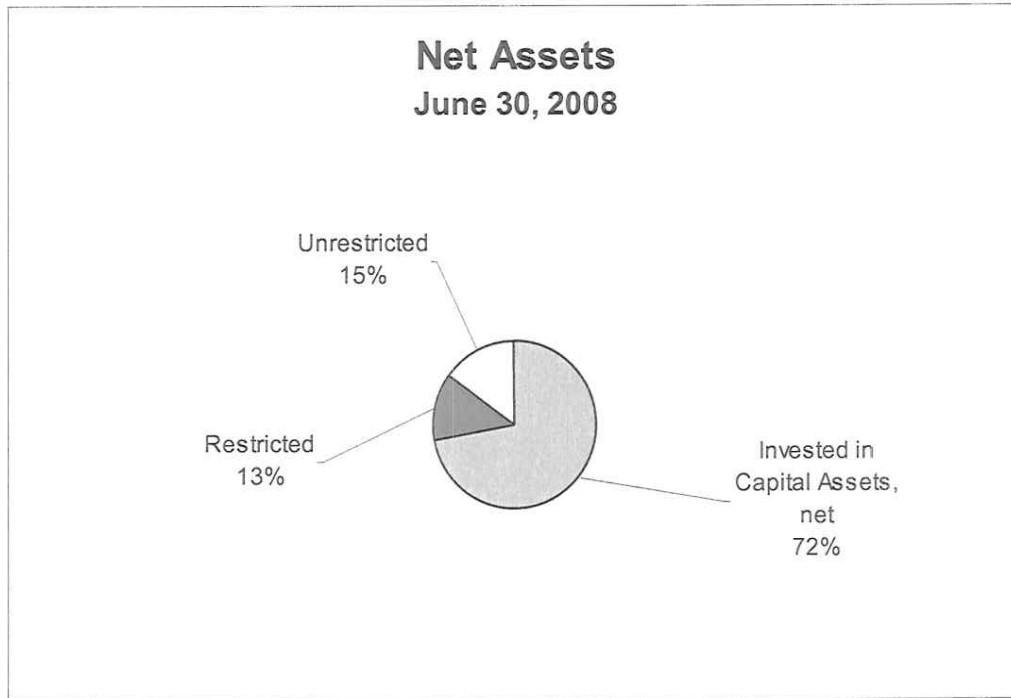
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- The increase in capital assets, net, reflects the construction on the Creative Arts Replacement Building, Career/Transfer Counseling Building, and San Elijo Campus Student Center. Capital assets increased \$8.4 million or 11 percent from the prior year.
- Accounts payable and accrued liabilities include June payroll expenses, vendor payables including construction payments for goods and services received prior to June 30, but not paid until the following fiscal year. The decrease from 2007 reflects fewer liabilities for construction payments for the period ending June 30. It reflects a \$3.3 million decrease or 51 percent decrease from the prior year.
- Amounts held in the custody of others reflect the ending balances in the fiduciary funds and capitalization of the San Elijo Student Center.
- The current portion of long-term debt reflects the amounts due within one year on the payments for the lease revenue bonds, compensated absences, and capital lease payment. The fiscal year 2007 audit reflected the entire liability for compensated absences within the current liabilities. The fiscal year 2008 audit reflects only a portion within current liabilities and the balance due on compensated absences within the long-term obligations.
- Long-term obligations increased \$1.1 million or 18 percent and reflect the debt for the lease revenue bonds, long-term compensated absences, and the capital lease agreement. The increase reflects a difference in reporting the long-term portion of compensated absences.
- Net assets include capital assets, net of related debt, debt service and capital projects funds, restricted assets for educational programs, and unrestricted assets.
- Total net assets increased \$8.9 million from 2007 primarily from cash and cash equivalents and capital assets, net as noted above.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008



Statement of Revenues, Expenses and Change in Net Assets

Change in total net assets as presented on the Statement of Net Assets is based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this Statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

The Statement of Revenues, Expenses, and Change in Net Assets for the years ended June 30, 2008 and 2007, is summarized below:

(Amounts in thousands)

	2008	2007
Operating Revenues		
Tuition and fees	\$ 7,069	\$ 6,849
Grants and contracts	9,724	10,899
Auxiliary sales and charges	374	424
Total Operating Revenues	17,167	18,172
Total Operating Expenses	87,319	78,538
Operating Loss	(70,152)	(60,366)
Nonoperating Revenues (expenses)		
State apportionments, non-capital	38	774
Local property taxes	73,435	69,871
State and other revenues	1,851	1,938
Investment income, net	1,347	1,565
Other nonoperating revenues (expenses)	1,205	(2,320)
Total Nonoperating Revenue (Expenses)	77,876	71,828
Other Revenues		
State revenues, capital	1,196	9,872
Net Increase in Net Assets	\$ 8,920	\$ 21,334

- Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending MiraCosta College, including fees such as health fees, parking fees, community services classes and other related fees. The increase in tuition and fees is primarily related to fewer waivers of enrollment fees.
- Grants and contracts show a \$1.2 million or 11 percent decrease from 2007 due primarily to a reduction in one-time funds from the State.
- Total operating expenses increased \$9.8 million and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- Total non-operating revenues increased by \$6 million or eight percent due primarily from increased property tax revenues and other nonoperating revenues.

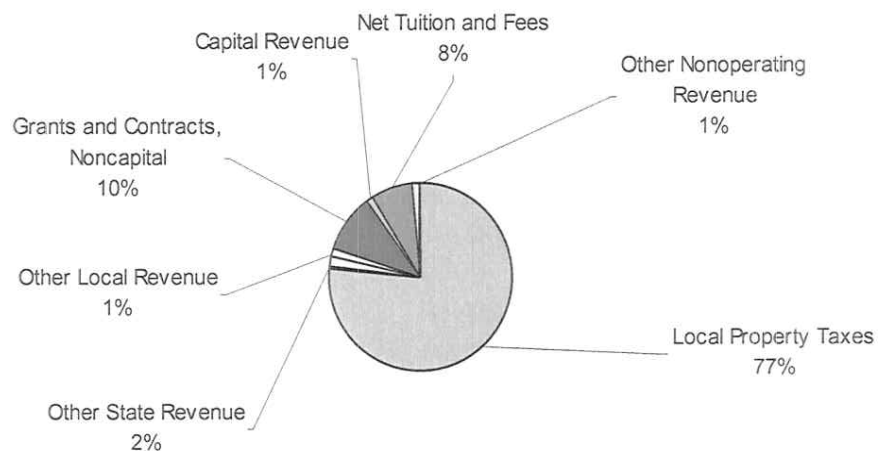
MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

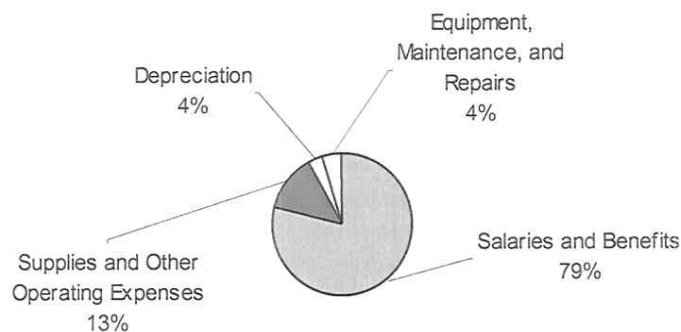
JUNE 30, 2008

- State revenues (capital) decreased by 88 percent due to the State fund construction projects, including the Horticulture Complex and Creative Arts Replacement. Those projects were completed or substantially completed during 2007.
- The detail of total operating expenses is included in the Statement of Revenues, Expenses, and Change in Net Assets which is part of the basic financial statements.

Total Revenues
for the Year ended June 30, 2008



Total Expenses
for the Year ended June 30, 2008



MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Expenses are reported by their functional categories as follows:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional Activities	\$34,431,533	\$ 1,162,567	\$ 549,412	\$ -	\$36,143,512
Instructional Administration and					
Instructional Governance	4,214,934	256,031	67,414	-	4,538,379
Instructional Support Services	3,846,933	241,680	389,468	-	4,478,081
Admissions and Records	1,702,458	54,932	770	-	1,758,160
Student Counseling and Guidance	3,662,624	147,855	-	-	3,810,479
Other Student Services	4,910,331	386,883	21,532	-	5,318,746
Operation and Maintenance of Plant	2,959,339	1,656,541	69,256	-	4,685,136
Planning, Policymaking, and Coordination	1,298,989	245,801	2,232	-	1,547,022
General Institutional Support Services	7,082,075	2,757,239	577,561	-	10,416,875
Community Services and Economic					
Development	1,524,699	639,275	14,978	-	2,178,952
Ancillary Services	1,890,691	1,025,952	45,373	-	2,962,016
Auxiliary Operations	333,885	26,069	710	-	360,664
Physical Property and Related Acquisitions	775,573	183,421	2,144,694	-	3,103,688
Student Aid	-	2,892,282	533	-	2,892,815
Depreciation Expense	-	-	-	3,124,388	3,124,388
Total	\$68,634,064	\$ 11,676,528	\$ 3,883,933	\$3,124,388	\$87,318,913

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Change in Net Assets.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The Statement of Cash Flows for the year ended June 30, 2008 and 2007, is summarized below:

(Amounts in thousands)

	2008	2007
Cash Provided by (Used in)		
Operating activities	\$ (59,677)	\$ (54,035)
Noncapital financing activities	79,137	70,559
Capital financing activities	(14,448)	(10,596)
Investing activities	1,202	927
Net Increase in Cash	6,214	6,855
Cash, Beginning of Year	36,838	29,983
Cash, End of Year	<u>\$ 43,052</u>	<u>\$ 36,838</u>

A detailed Statement of Cash Flows for the year ended June 30, 2008, is included in the Basic Financial Statements on pages 18 and 19 of this report.

- Cash receipts from operating activities are from student tuition and from federal, state and local grants. Uses of cash are payments to employees, vendors, and students related to District programs. Net cash used in operating activities increased from the prior year by \$5.6 million due primarily to salary and benefit increases.
- Property tax revenue accounts for approximately 93 percent of the non-capital financing revenue.
- The primary use included in capital and related financing activities is the purchase of capital assets (building improvements, construction in progress, equipment, etc.). The 2008 increase of \$3.9 million or 36 percent was primarily due to the status of the construction projects including the Horticulture Complex, Creative Arts Replacement and SEC Student Center.
- Cash from investing activities is mainly interest earned on cash in bank and cash invested through the San Diego County pool.

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs and donors for student loans and scholarships. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the District had \$87.1 million invested in capital assets net of accumulated depreciation. Total capital assets consist of land, infrastructure, buildings and building improvements, construction in progress, vehicles, data processing equipment and other office equipment. Capital asset additions of \$12.1 million occurred during 2007-2008 and depreciation expense of approximately \$3.1 million was recorded for the fiscal year.

Capital additions of construction in progress primarily comprise replacement, renovation and new construction of facilities for the Horticulture complex, Creative Arts complex, Career/Transfer Counseling Building, and the SEC Student Center. Current year additions were funded with capital appropriations including state funds for those projects. The balance of additions was funded by unrestricted net assets which were designated for capital purposes.

Note 5 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

(Amounts in thousands)

	2008	2007
Land and improvements	\$ 5,771	\$ 5,809
Site and site improvements	75,762	51,796
Equipment	3,362	3,267
Construction in progress	2,207	17,805
Net Capital Assets	<u>\$ 87,102</u>	<u>\$ 78,677</u>

Debt

At June 30, 2008, the District had \$4.2 million in debt in revenue bonds payable. The District's bond credit rating of AAA has not changed.

Also at June 30, 2008, the District had \$1.8 million in debt for the capital lease agreement with SunTrust Corporation for the debt financing of the energy efficiency projects approved by the Board in December 2006.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Note 9 to the financial statements provides additional information on long-term obligations. A summary of long-term debt is presented below:

(Amounts in thousands)

	2008	2007
Revenue bonds payable	\$ 4,240	\$ 4,505
Compensated absences	1,913	2,027
Capital leases	1,819	1,950
Total Long-Term Debt	<u>\$ 7,972</u>	<u>\$ 8,482</u>

These financial statements do not include a liability for retiree benefits estimated at \$41.5 million; awaiting implementation of GASB Statement No. 45.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

As a Basic Aid District, our economic position is heavily impacted by property tax revenue. The District has experienced a significant slowing of the increases in property tax revenues seen in prior years. However, we anticipate continued increases, albeit at a considerably lower rate, during the next several years. We will continue our close monitoring of assessed valuations and continue to forecast for realistic projection of future property tax revenues.

In addition, the current State economy and growing deficit will impact the State's ability to provide support for the District's categorical program at the levels of previous years and may affect the District's ability to provide the current level of services.

The District has established an irrevocable trust for the payment of retiree health benefits as defined in the accounting standard GASB Statement No. 45 and will be making payments towards the annual required contribution beginning in the 2009 fiscal year. The standard requires an actuarial study to be performed every two years to reassess the liability for the District's retiree health plan. The next actuarial study will take place in July 2009, and changes in the valuation data may affect the amount of payment to the irrevocable trust for succeeding years.

Other than the items discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2008-2009 fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. Management will maintain a close watch over resources to maintain our ability to react to internal and external issues if and when they arise.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Vice President of Business and Administrative Services, James E. Austin, at MiraCosta Community College District, One Barnard Drive, Oceanside, CA 92056-3899.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,719,226
Investments - unrestricted	40,614,596
Investments - restricted	718,412
Accounts receivable	2,118,550
Student accounts receivable	18,945
Prepaid expenses	112,408
Total Current Assets	45,302,137

Noncurrent Assets

Nondepreciable capital assets	7,573,636
Depreciable capital assets, net of depreciation	79,528,557
Total Noncurrent Assets	87,102,193
TOTAL ASSETS	132,404,330

LIABILITIES

Current Liabilities

Accounts payable	3,181,535
Deferred revenue	1,866,838
Amounts held in custody on behalf of others	7,137,960
Compensated absences payable - current portion	382,689
Bonds payable - current portion	275,000
Lease obligations - current portion	181,207
Total Current Liabilities	13,025,229

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	1,530,763
Bonds payable - noncurrent portion	3,965,000
Lease obligations - noncurrent portion	1,637,705
Total Noncurrent Liabilities	7,133,468
TOTAL LIABILITIES	20,158,697

NET ASSETS

Invested in capital assets, net of related debt	80,324,869
Restricted for:	
Debt service	729,177
Capital projects	12,546,505
Educational programs	1,513,444
Unrestricted	17,131,638
TOTAL NET ASSETS	\$ 112,245,633

The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES

Student Tuition and Fees	\$ 7,990,144
Less: Scholarship discount and allowance	(921,376)
Net tuition and fees	<u>7,068,768</u>
Grants and Contracts, noncapital:	
Federal	3,121,232
State	6,602,739
Auxiliary Enterprise Sales and Charges	<u>374,276</u>
TOTAL OPERATING REVENUES	<u>17,167,015</u>

OPERATING EXPENSES

Salaries	53,924,761
Employee benefits	14,709,303
Supplies, materials, and other operating expenses and services	11,676,528
Equipment, maintenance, and repairs	3,883,933
Depreciation	<u>3,124,388</u>
TOTAL OPERATING EXPENSES	<u>87,318,913</u>

OPERATING LOSS

(70,151,898)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	38,595
Local property taxes levied for general purposes	73,434,706
State taxes and other revenues	1,850,761
Investment income, noncapital	1,566,038
Interest expense on capital related debt	(259,399)
Investment income on capital asset-related debt, net	40,438
Loss on disposal of capital assets	(483,110)
Transfer from agency fund	74,338
Transfer to agency fund	(5,000)
Other nonoperating revenue	<u>1,618,936</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>77,876,303</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

7,724,405

OTHER REVENUE

State revenues, capital	<u>1,196,031</u>
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CHANGE IN NET ASSETS

8,920,436

NET ASSETS, BEGINNING OF YEAR

103,325,197

NET ASSETS, END OF YEAR

\$ 112,245,633

The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 7,838,449
Federal grants and contracts	3,549,659
State grants and contracts	6,602,739
Drawdowns of Federal direct student aid	2,151,877
Disbursement of Federal direct student aid	(2,151,877)
Payments for scholarships and grants	(2,089,707)
Payments to vendors for supplies and services	(14,483,304)
Payments to or on behalf of employees	(68,607,307)
Auxiliary enterprise sales and charges	374,276
Other operating receipts	7,137,960
Net Cash Flows From Operating Activities	<u>(59,677,235)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	38,595
Property taxes - nondebt related	73,434,706
State taxes and other apportionments	3,119,294
Other nonoperating	2,544,302
Net Cash Flows From Noncapital Financing Activities	<u>79,136,897</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(15,039,291)
State revenue, capital projects	1,206,360
Principal paid on capital debt	(395,896)
Interest paid on capital debt	(259,399)
Interest received on capital asset-related debt	40,438
Net Cash Flows From Capital Financing Activities	<u>(14,447,788)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	1,201,785
Net Cash Flows From Investing Activities	<u>1,201,785</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

6,213,659

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

36,838,575

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 43,052,234

The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS, Continued FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (70,151,898)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	3,124,388
Changes in Operating Assets and Liabilities:	
Receivables, net	409,482
Prepaid expenses	(34,885)
Accounts payable and other accrued liabilities	(272,469)
Deferred revenue	223,897
Funds held for others	7,137,960
Compensated absences	(113,710)
Total Adjustments	10,474,663
Net Cash Flows From Operating Activities	\$ (59,677,235)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,719,226
Cash in county treasury	40,614,596
Restricted cash in county treasury	718,412
Total Cash and Cash Equivalents	\$ 43,052,234

NON CASH TRANSACTIONS

On behalf payments for benefits	\$ 1,249,352
Loss on disposal of capital assets	483,110
	\$ 1,732,462

The accompanying notes are an integral part of these financial statements.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - ORGANIZATION

The MiraCosta Community College District (the District) was established in 1934 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two student centers located within North San Diego County. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

MiraCosta Community College Foundation

The MiraCosta Community College Foundation (the Foundation) is a separate not-for-profit corporation. The Board of Directors is elected independent of any District Board of Trustee's appointments. The Foundation is responsible for approving its own budget and accounting and finance related activities.

The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District.

Financial statements for the Foundation can be obtained from the Foundation's Business Office at One Barnard Drive, Oceanside, CA 92056.

Public Entity Risk Pools and Joint Powers Authorities (JPAs)

The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

- San Diego County Schools Risk Management
- Retiree Health Benefit Program

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 4 to 10 years; vehicles, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$14,789,126 of restricted net assets.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2008, the District distributed \$600,618 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

In June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. GASB Statement No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged. The District will be required to implement the provisions of this Statement for fiscal year ended June 30, 2009.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code and the District's investment policy to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 1,669,226
Cash in revolving	50,000
Investments	41,333,008
Total Deposits and Investments	<u>\$ 43,052,234</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County investment pool.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
Guaranteed Investment Contract, MBIA	\$ 585,565	10/1/2019
U.S. Federated Cash Reserves	152	45*
County Investment Pool	40,887,837	427*
Total	<u>\$ 41,473,554</u>	

* Weighted average days to maturity

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool are not required to be rated, nor have they been rated as of June 30, 2008. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	A2
Guaranteed Investment Contract, MBIA	\$ 585,565	Aa	\$ -	\$ 585,565
U.S. Federated Cash Reserves	152	Aa	152	-
County Investment Pool	40,887,837	Aa	40,887,837	-
Total	<u>\$ 41,473,554</u>		<u>\$ 40,887,989</u>	<u>\$ 585,565</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$1,480,451 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

Federal Government	
Categorical aid	\$ 463,778
State Government	
Categorical aid	66,333
Lottery	535,620
Other State sources	468,749
Local Sources	
Interest	364,253
Other local sources	219,817
Total	<u>\$ 2,118,550</u>
Student receivables	<u>\$ 18,945</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 5,366,281	\$ -	\$ -	\$ 5,366,281
Construction in progress	17,805,305	10,828,561	26,426,511	2,207,355
Total Capital Assets Not Being Depreciated	23,171,586	10,828,561	26,426,511	7,573,636
Capital Assets Being Depreciated				
Infrastructure	4,458,948	-	-	4,458,948
Buildings and improvements	96,519,761	26,476,644	1,169,254	121,827,151
Furniture and equipment	11,457,471	1,154,000	365,461	12,246,010
Total Capital Assets Being Depreciated	112,436,180	27,630,644	1,534,715	138,532,109
Total Capital Assets	135,607,766	38,459,205	27,961,226	146,105,745
Less Accumulated Depreciation				
Infrastructure	4,015,969	38,491	-	4,054,460
Buildings and improvements	44,724,233	2,032,948	691,895	46,065,286
Furniture and equipment	8,190,567	1,052,949	359,710	8,883,806
Total Accumulated Depreciation	56,930,769	3,124,388	1,051,605	59,003,552
Net Capital Assets	\$ 78,676,997	\$ 35,334,817	\$ 26,909,621	\$ 87,102,193

Depreciation expense for the year was \$3,124,388.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

Accrued payroll	\$ 1,462,654
Construction	827,774
Vendor payables	891,107
Total	<u>\$ 3,181,535</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

State categorical aid	\$ 612,715
Schedule maintenance	405,569
Enrollment fees	788,626
Other local	59,928
Total	<u>\$ 1,866,838</u>

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivables and payables consist of amounts due for cost allocation. The balances result from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivable and payable balances at June 30, 2008, have been eliminated in the consolidation process for financial statement presentation.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
Lease revenue bonds	\$ 4,505,000	\$ -	\$ 265,000	\$ 4,240,000	\$ 275,000
Total Bonds and Notes Payable	4,505,000	-	265,000	4,240,000	275,000
Other Liabilities					
Compensated absences	2,027,162	-	113,710	1,913,452	382,689
Capital leases	1,949,808	-	130,896	1,818,912	181,207
Total Other Liabilities	3,976,970	-	244,606	3,732,364	563,896
Total Long-Term Debt	\$ 8,481,970	\$ -	\$ 509,606	\$ 7,972,364	\$ 838,896

Description of Debt

Payments on the lease revenue bond are paid by the debt service fund. The compensated absences will be paid by the fund for which the employee worked. Capital lease payments are also made out of the debt service fund.

In July 1, 1999, the District issued lease revenue bonds in the amount of \$7,285,000 to be used to refund the 1998 issue of certificates of participation and to fund the construction of the Community Learning Center. Interest rates on the bonds range from 4.92 percent to 4.97 percent for the length of the issuance. The bonds will mature on October 1, 2019. At June 30, 2008, the principal balance outstanding was \$4,240,000.

In December 21, 2006, the District entered into a debt financing agreement with SunTrust Corporation for the construction of six energy efficiency projects valued at approximately \$2,234,983. The District is obligated to make payments through 2017 at an annual interest rate of 4.30 percent. At June 30, 2008, the principal balance outstanding was \$1,818,912.

Debt Maturity

Lease Revenue Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued	Redeemed	Bonds Outstanding June 30, 2008
1999	2019	4.92% - 4.97%	\$7,285,000	\$ 4,505,000	\$ -	\$ 265,000	\$ 4,240,000

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 275,000	\$ 185,620	\$ 460,620
2010	290,000	174,175	464,175
2011	300,000	161,930	461,930
2012	310,000	148,965	458,965
2013	325,000	135,150	460,150
2014-2018	1,870,000	426,138	2,296,138
2019-2020	870,000	40,700	910,700
Total	<u>\$ 4,240,000</u>	<u>\$ 1,272,678</u>	<u>\$ 5,512,678</u>

Capital Leases

The District's liability on lease agreements with option to purchase is summarized below:

Balance, July 1, 2007	\$ 2,374,782
Payments	<u>192,550</u>
Balance, June 30, 2008	<u>\$ 2,182,232</u>

The capital lease has minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 256,733
2010	256,733
2011	256,733
2012	256,733
2013	256,733
2014-2017	<u>898,567</u>
Total	<u>2,182,232</u>
Less: Amount Representing Interest	<u>363,320</u>
Present Value of Minimum Lease Payments	<u>\$ 1,818,912</u>

Compensated Absences

The long-term portion of the compensated absences for the District at June 30, 2008, amounted to \$1,913,452.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2009	\$ 82,998
2010	75,000
2011	75,000
2012	75,000
2013	75,000
2014-2019	412,500
Total	<u>\$ 795,498</u>

NOTE 11 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee agreements and Board policy, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in California Public Employees' Retirement System (CalPERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in California State Teachers' Retirement System (CalSTRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis as premiums are paid. During the 2008 fiscal year, the District provided insurance premium benefits to 51 retired employees with total expenditures of \$799,293. The District will be implementing provisions of GASB Statement No. 45 during the 2008-2009 fiscal year.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2008, the District contracted with the San Diego County Schools Risk Management Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Workers' Compensation

For fiscal year 2007-2008, the District participated in the San Diego County Schools Risk Management Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$100,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Coverage provided by the following for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Liberty Mutual Insurance Company	Workers' Compensation	\$ 900,000
Schools Excess Liability Fund	Excess Workers' Compensation	\$ 100,000,000
San Diego County Schools Risk Management	Property and Liability	\$ 200,000,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Funding Policy

Active members are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,281,860, \$2,038,961, and \$1,995,968, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2007-2008 was 9.306 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were \$1,720,196, \$1,557,363, and \$1,432,785, respectively, and equaled 100 percent of the required contributions for each year.

Accumulation Program for Part-time and Limited Service Employees (APPLE)

The Omnibus Budget Reconciliation Act of 1990 [Internal Revenue Code Section 3121 (b) (7) (F)] requires State and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security.

The District is a member of the Accumulation Program for Part-time and Limited Service Employees (APPLE) Plan. The plan covers the District's part-time, seasonal, temporary, and other classified employees not covered under CalPERS or CalSTRS, but whose salaries would otherwise be subject to Social Security tax. Benefit provisions and other requirements are established by District management based on agreements with various bargaining units. APPLE is a defined contribution qualified retirement plan under Section 401 (a) of the Internal Revenue Code. The plan also shall remain a governmental plan under section 3 (32) of the Employee Retirement Income Security Act of 1974.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The minimum total contribution is 7.5 percent of employees' salaries, of which the employee contributes 3.75 percent and the District contributes the remaining 3.75 percent. District employees are covered under APPLE as of June 30, 2008. Total contributions to the plan amounted to \$132,965.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,249,352, \$538,000, and \$488,000 (4.517 percent) of salaries subject to CalSTRS for the years ended June 30, 2008, 2007, and 2006, respectively. A contribution to CalPERS was not required for the year ended June 30, 2008. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Spent to Date	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites	\$ -	\$ 163,000	2008-09
Phase III Energy Control Projects	-	271,300	2008-09
Campus Irrigation Control	3,500	16,500	2008-09
Horticulture Complex	7,970	41,400	2007-08
Bond Feasibility Study Project	-	1,000	2008-09
Creative Arts Expansion Building	1,503,200	12,889,300	2009-10
Building 3300 Remodel Project	80,800	12,200	2009-10
Non-capital related projects	-	725,920	TBD
	<u>\$ 1,595,470</u>	<u>\$ 14,120,620</u>	

The projects are funded through capital project apportionments from the State System's Office.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Diego School Risk Management and Retiree Health Benefit Program Joint Powers Authority (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2008, the District made payments of \$349,347 and \$0 to San Diego School Risk Management and Retiree Health Benefit Program, respectively.

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SUPPLEMENTARY INFORMATION

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MIRACOSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2008

The MiraCosta Community College District was established in 1934 and is comprised of an area of approximately 15 square miles located in North San Diego County. There were no changes in the boundaries of the District during the current year. The District is comprised of one college in Oceanside and two centers, the San Elijo Center and the Community Learning Center. The District is accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Carolyn Batiste	President	2008
Mr. Rodolfo Fernandez	Vice President	2010
Mr. Charles Adams	Member	2010
Ms. Gloria Carranza	Member	2008
Mr. Gregory M. Post, Esq.	Member	2010
Ms. Jacqueline Simon	Member	2008
Dr. Judith Strattan	Member	2010

ADMINISTRATION

Mr. John Hendrickson	Interim Superintendent/President
Mr. James E. Austin	Vice President, Business and Administrative Services
Ms. Pam Deegan	Interim Vice President, Instructional Services
Dr. Richard Robertson	Vice President, Student Services

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR		
Pass through from Forsyth Tech Community College Community College Centers for Biotechnology Workforce	17.261	\$ 92,011
Pass through from the University of Missouri Workforce Investment Act Establishment of National Nuclear Energy Technology Workforce Center	17.261	62,489
SMALL BUSINESS ADMINISTRATION		
Pass through from Southwestern Community College District Small Business Development Center Program	59.037	212,372
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Veterans Reporting Fee	64.000	3,374
U.S. DEPARTMENT OF EDUCATION		
HIGHER EDUCATION ACT		
Student Financial Assistance Cluster		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	92,804
Federal Family Education Loans (FFEL)	84.032	600,618
Federal Work Study (FWS)	84.033	93,105
Federal Pell Grant (PELL)	84.063	1,939,647
Federal Pell Grant Administration	84.063	4,240
Academic Competitiveness Grant (ACG)	84.375	26,321
Total Student Financial Assistance Cluster		<u>2,756,735</u>
ADULT EDUCATION AND FAMILY LITERACY ACT		
Pass through from California Department of Education (CDE) Adult Education and Family Literacy	84.002A	269,273
PERKINS CAREER AND TECHNICAL EDUCATION ACT		
Pass through from California Community College System's Office Career and Technical Education, Title IC	84.048	133,938
Tech Prep Education	84.243	73,700
Pass through from Grossmont-Cuyamaca Community College District Auxiliary Organization Career and Technical Education, Title IIC, Section 131	84.243	55,654
Total Perkins Career and Technical Education Act		<u>263,292</u>
Total U.S. Department of Education		<u>3,289,300</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass through from California Community College System's Office Temporary Assistance for Needy Families (TANF)	93.558	57,532
Total Expenditures of Federal Awards		<u>\$ 3,717,078</u> ^[1]

^[1] The difference between the schedule of expenditures of Federal awards and Federal revenues reported on the statement of revenues, expenses, and change in net assets is due to Federal family education loans in the amount of \$600,618 (see Note 2 in the financial statements) and differences of \$4,772 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Program	Program Revenues				Total
	Cash Received	Accounts Receivable	Deferred Income	Total Revenue	Program Expenditures
GENERAL FUND					
Basic Skills	\$ 708,130	\$ -	\$473,069	\$ 235,061	\$ 235,061
Board Financial Assistance Program	234,911	-	-	234,911	234,911
Cal Grant	224,333	-	-	224,333	224,333
CalWORKs	400,431	18,000	-	418,431	418,431
CARE	115,265	-	-	115,265	115,265
Disabled Students Program and Services (DSPS)	712,144	-	-	712,144	712,144
Extended Opportunity Program and Services (EOPS)	782,129	-	-	782,129	782,129
Faculty Staff Development	23,238	-	23,238	-	-
Instructional Equipment - Block Grant	277,684	-	23,729	253,955	253,955
Licensed Vocational Nurse to Registered Nurse Grant	396,029	-	58,880	337,149	337,149
Matriculation - Credit	597,696	-	-	597,696	597,696
Matriculation - Noncredit	273,748	-	-	273,748	273,748
Partnership for Excellence	1,675,093	-	-	1,675,093	1,675,093
Part-time Faculty Reimbursement	360,670	-	-	360,670	360,670
Professional Development Academy	125	16,834	-	16,959	16,959
Small Business Development Center					
Workforce Development	25,947	31,499	-	57,446	57,446
Staff Diversity	12,774	-	-	12,774	12,774
TANF - Child Development Careers	44,215	-	-	44,215	44,215
Telecom Technology Infrastructure Program	45,183	-	17,953	27,230	27,230
Transfer and Articulation	5,000	-	-	5,000	5,000
Workforce Development	74,988	-	15,846	59,142	59,142
Total State Categorical Programs	\$6,989,733	\$ 66,333	\$612,715	\$6,443,351	\$6,443,351

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2007 only)			
1. Noncredit	117	-	117
2. Credit	523	-	523
B. Summer Intersession (Summer 2008 - Prior to July 1, 2008)			
1. Noncredit	-	-	-
2. Credit	162	-	162
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,949	-	4,949
(b) Daily Census Contact Hours	720	-	720
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	988	-	988
(b) Credit	149	-	149
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	725	-	725
(b) Daily Census Contact Hours	204	-	204
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>8,537</u>	<u>-</u>	<u>8,537</u>
E. Supplemental Information			
In-Service Training Courses (FTES)	<u>7</u>	<u>-</u>	<u>7</u>
F. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	550	-	550
2. Credit	286	-	286
	<u>836</u>	<u>-</u>	<u>836</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Student Body Center Fee Trust
June 30, 2008, Annual Financial and Budget Report (CCFS-311)	
Reported Fund Balance	\$ 1,020,046
Adjustments to Increase	
Fixed Assets	5,679,141
June 30, 2008, Audited Financial Statement Fund Balance	<u>\$ 6,699,187</u>

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balances:

General Funds	\$ 24,155,781
Capital Outlay Projects	12,546,505
Debt Service Funds	729,177
Enterprise Funds	997,278
Internal Service Funds	169,775
Fiduciary Funds	<u>7,137,960</u>

Total Fund Balances and Due to Student Groups

- All District Funds \$ 45,736,476

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	146,105,745
Accumulated depreciation is	(59,003,552)

Less fixed assets already recorded in enterprise and fiduciary funds (5,865,401) 81,236,792

Amounts held in trust on behalf of others (Trust and Agency Funds) (7,137,960)

Long-term obligations at year end consist of:

Bonds payable	4,240,000
Capital leases payable	1,818,912
Compensated absences	1,913,452
Less compensated absences already recorded in funds	<u>(382,689)</u> <u>(7,589,675)</u>

Total Net Assets

\$ 112,245,633

See accompanying note to supplementary information.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
MiraCosta Community College District
Oceanside, California

We have audited the financial statements of the business-type activities of the MiraCosta Community College District (the District) for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MiraCosta Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MiraCosta Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MiraCosta Community College District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MiraCosta Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VaunineK, Time, Day & Co., LLP

Rancho Cucamonga, California
December 19, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
MiraCosta Community College District
Oceanside, California

Compliance

We have audited the compliance of MiraCosta Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. MiraCosta Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of MiraCosta Community College District's management. Our responsibility is to express an opinion on MiraCosta Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about MiraCosta Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MiraCosta Community College District's compliance with those requirements.

In our opinion, MiraCosta Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of MiraCosta Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered MiraCosta Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MiraCosta Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaunne K. Trine, Day & Co., LLP

Rancho Cucamonga, California
December 19, 2008



REPORT ON STATE COMPLIANCE

Board of Trustees
MiraCosta Community College District
Oceanside, California

We have audited the financial statements of the MiraCosta Community College District (the District) for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the System's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

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MIRACOSTA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.375	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

MIRACOSTA COMMUNITY COLLEGE DISTRICT

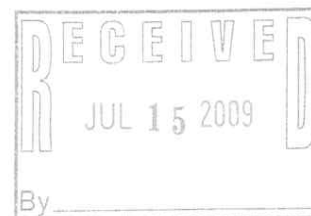
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

July 9, 2009



Mr. Joseph J. Mazza, ARM
Director, Risk Management
Mira Costa Community College District
One Barnard Drive
Oceanside, CA 92056

Audit # 04938

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008
FIPS #073-91118

Dear Mr. Mazza, ARM:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend \$500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<input checked="" type="checkbox"/>	We have completed our A-133 audit for fiscal year(s) ended <u>6-30-08</u> . A copy of the audit report(s) is enclosed.
<input type="checkbox"/>	We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.
<input type="checkbox"/>	We are not subject to A-133 audit because: ____ We are a for-profit organization ____ We expend less than \$500,000 in federal awards annually ____ We are a component entity of the following organization and included in its A-133 audit: ____ Other (please explain) _____ _____ _____

